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# DEMAND and PRICE SITUATION

DPS-19



Approved by the Outlook and Situation Board, July 19, 1956

## SUMMARY

Output of farm products in 1956 is likely to be below the record levels reached in 1955. While production of livestock products probably will top last year's peak, crop output will likely be substantially below the near-record crop outturn of 1955 if weather conditions are average the rest of the year. According to July 1 indications, acreage of all crops harvested will be down about 1 percent from last year.

Conditions as of early July indicate a corn crop of around 3.3 billion bushels, about the same as last year. A big decline is indicated for oats and barley, and sorghum crops may also be down from last year's high levels. A smaller spring wheat crop will probably offset the larger production of winter wheat so that total wheat output will be down about 2 percent. Total production of deciduous fruits is estimated about 5 percent smaller. Tobacco, rice, hay, and dry beans will all be below last year if growing conditions are average. Cotton acreage in cultivation on July 1 was down about 3 percent from 1955.

*(Continued on page 3)*

UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE

## ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1955		1956			
		Year	June	Mar.	Apr.	May	June
Industrial production <u>1/</u>							
Total.....	1947-49=100	139	139	141	143	142	141
All manufactures.....	do.	140	141	142	144	143	142
Durable goods.....	do.	155	155	156	159	157	156
Nondurable goods.....	do.	126	128	127	129	129	128
Minerals.....	do.	122	122	130	130	130	130
Total outlay for new construc- tion <u>2/</u> .....	Million dollars	42,250	3,608	3,585	3,658	3,679	3,660
Residential.....	do.	16,600	1,420	1,268	1,276	1,256	1,242
Total civilian employment <u>3/</u> .....	Million	63.2	64.0	63.1	64.0	65.2	66.5
Nonagricultural.....	do.	56.5	56.3	57.4	57.6	58.1	58.6
Unemployment.....	do.	2.7	2.7	2.8	2.6	2.6	2.9
Income:							
Nonagricultural payments <u>2/4/</u> #..	Bil. dol.	288.4	287.2	301.1	302.5	307.8	
Production-worker payrolls <u>5/</u> #..	1947-49=100	152.9	152.0	157.9	158.2	156.0	158.3
Weekly earnings of production- workers in manufacturing <u>5/</u> ...	Dollars	76.52	76.11	78.78	78.99	78.40	79.40
Durable.....	do.	83.21	81.58	84.25	85.49	84.66	85.48
Nondurable.....	do.	68.06	67.83	70.49	70.17	70.38	70.77
Prices:							
Wholesale prices, all com- modities <u>5/</u> .....	1947-49=100	111	110	113	114	114	114
Commodities other than farm and food.....	do.	117	116	121	122	122	122
Farm.....	do.	90	92	87	88	91	91
Food, processed.....	do.	102	104	99	100	102	102
Prices received by farmers <u>6/</u> #..	1910-14=100	236	241	228	235	242	247
Crops.....	do.	237	243	236	245	252	263
Livestock and products.....	do.	236	240	221	227	233	232
Prices paid, interest, taxes and wage rates <u>6/</u> .....	1910-14=100	281	282	282	284	286	286
Items used in living.....	do.	273	274	274	274	278	279
Items used in production.....	do.	250	250	246	248	250	248
Parity ratio.....		84	85	81	83	85	86
Consumer price index <u>5/</u> .....	1947-49=100	114	114	115	115	115	
Food.....	do.	111	111	109	110	111	
Government purchases of goods and services <u>2/ 7/</u> #.....	Billion dollars	76.8		78.5			78.6
Federal (less Government sales)..	do.	46.7		46.4			46.0
State and local.....	do.	30.1		32.1			32.6

Annual data for the years 1929, 1932 and 1939-55 appear on page 39 of the April 1956 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

# Revised series.



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Meat production in the remainder of 1956 will probably fall below a year earlier. But with total output in January-June nearly a tenth above a year ago the total for this year will likely be a record. Milk, poultry, and eggs all promise to set new production records this year.

Prices received by farmers in mid-June advanced 2 percent over mid-May to a level about 11 percent above the lows of last December and about  $2\frac{1}{2}$  percent higher than June last year. The most notable advance in these past 6 months has been in average crop prices though most livestock products have also contributed to the upward movement. Commercial vegetables, potatoes, fruits, feed grains and the oil-bearing crops have risen the most. The factors behind this broad price improvement have been smaller commercial supplies for some products, unusually strong foreign demand for others, and a general rise in domestic demand. With the pick-up in farm prices, cash receipts from farm marketings in the first half of 1956 were almost the same as in the first half of 1955; farmers' realized net income was at an annual rate about the same as in the first half of 1955 and a half billion above the rate in the second half.

Demand for farm products is supported in part by a steady uptrend in consumer disposable income. The increase during April-June, according to advance estimates, was 4.6 billion dollars, or about  $1\frac{1}{2}$  percent. Hourly earnings have advanced steadily, and employment has also been rising, reaching an all-time record in June. Consumers have been using their larger incomes to purchase increasing amounts of nondurable goods and services. Spending on durable goods has lagged in recent months but auto sales--an important item in this category--showed some pickup late in May and in June. If the shut down of the steel industry is not prolonged, consumer income and spending is expected to continue high in coming months.



## Commodity Highlights

As of June 1 producers planned on 7 percent fewer sows to farrow this fall than last. If these plans are realized, the 1956 pig crop would total 88 million head compared with 95½ million last year. Slaughter of hogs this fall will probably be below a year earlier. Cattle slaughter in the second half of the year will equal or exceed the last half of 1955.

Prices received by farmers for dairy products in June continued above a year ago and were down less than the usual seasonal amount from earlier this year.

Production of broilers and turkeys in 1956 will be well above 1955, perhaps by 20 and 15 percent, respectively. Egg production is also likely to set a new record.

Supplies of food fats in the marketing year beginning October 1 probably will be almost as large as the record quantity of 1955-56, and about the same as in 1954-55. On the basis of July 1 indications, reduced output of lard and cottonseed oil will be offset by record soybean oil production.

Prospects are for a supply of feed grains and concentrates in 1956-57 only slightly below last year's record and 13 percent above the 1949-53 average. This indicates a supply of feed grain concentrates per animal unit slightly above a year ago.

The 1956 wheat crop is now estimated at 922 million bushels--slightly less than likely disappearance. The loan rate for the 1956 crop has been announced at 2.00 dollars.

Total supplies of deciduous fruits during August probably will be about the same as a year earlier. But in September when late-season fruits ripen, supplies are expected to be somewhat lighter.

Total production of vegetables for summer harvest is expected to be about 4 percent higher this year than last; demand continues strong.

Slightly more potatoes than last year are in prospect for summer harvest; the acreage for fall harvest is almost as large as in 1955.

Domestic mill consumption of cotton during August 1955-May 1956 totaled about 7.8 million bales compared with 7.4 million during approximately the same period a year earlier. Exports during the period August 1955-May 1956 were about 1.8 million running bales compared with 3.1 million in the same period a year earlier.

Wool prices on foreign markets advanced almost continuously from late March through June. In general, however, the higher prices have not yet been reflected fully in domestic markets.



This year's crop of flue-cured tobacco is expected to be almost a fifth smaller than the record 1955 crop. The price support level is 48.9 cents per pound--a little higher than last season.

### GENERAL ECONOMIC SITUATION

Economic activity in the second quarter of 1956 rose substantially. Total output of goods and services apparently increased by about 5 billion dollars, compared with a rise of  $1\frac{1}{2}$  billion during the January-March period. A considerable part of this increase has been due to price advances.

Increases occurred in business outlays for plant and equipment, net foreign investment, and in consumer spending for nondurable goods and personal services. Residential construction did not make its usual seasonal rise in the second quarter, and sales of durable goods lagged. Inventories built up further, but the increase was about the same as during January-March. Consumer income after taxes continued upward to a record rate of around 285 billion dollars.

Employment in June reached a new high of  $66\frac{1}{2}$  million, up a million over a month ago, and  $2\frac{1}{2}$  million more than a year earlier. Unemployment was also up in June. The civilian labor force, which numbered 69 million in June, has increased by nearly 3 million during the past 12 months.

### Consumer Income and Spending

Consumer income after taxes during the quarter just ended, increased by 1.6 percent over the first quarter, according to preliminary estimates. Consumer expenditures rose at a slower rate and the personal savings rate increased. Consumer spending followed the pattern prevailing since early fall --a strong upward trend in expenditures for non-durables and services partially offset by lagging sales of consumer durables.

The Council of Economic Advisors tentatively estimates personal disposable income in the second quarter at a rate of 284.8 billion dollars, compared with 280 billion in the first quarter. Consumption expenditures are up 2.6 billion dollars, including a rise of 2.2 billion in purchases of consumer soft goods, an increase of 1.8 billion for services, and a decline of more than a billion dollars in spending for durables. The personal savings rate is tentatively estimated at 7.2 percent, compared with 6.6 percent in the first quarter. A Commerce Department survey at mid-year reveals that businessmen expect consumer spending for durable goods to remain at current levels for the rest of this year. An uptrend in furniture sales is expected to offset further declines in sales of household appliances.

There was evidence of a pick-up in retail purchases during the second quarter. After remaining stable or showing only fractional increases for many months, retail sales after seasonal adjustment, rose 2 percent in May, and remained at the May level in June. Both durable and non-durable goods shared



Table 1.- Disposition of personal income,  
1953-55 and by quarters 1955 to date

Period	Personal	Less:	Equals:	Less: Personal consumption expenditures				Equals:
	income	Personal taxes <sup>1/</sup>	Dispos- able personal income	Total	Durable goods	Non- durable goods	Services	Personal saving
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
1953	286.0	35.8	250.2	230.5	29.8	119.1	81.7	19.7
1954	287.3	32.9	254.4	236.5	29.4	120.9	86.3	17.9
1955	306.1	35.5	270.6	254.0	35.7	126.2	92.1	16.6
1955:								
1st qtr.:	295.1	34.5	260.6	246.7	34.7	122.5	89.5	13.9
2nd qtr.:	303.8	35.3	268.5	251.8	35.3	125.3	91.2	16.7
3rd qtr.:	309.6	35.9	273.8	257.8	37.2	127.6	92.9	15.9
4th qtr.:	314.6	36.3	278.4	259.5	35.4	129.2	94.9	18.8
1956: <sup>2/</sup>								
1st qtr.:	317.5	37.3	280.2	261.7	34.8	130.5	96.4	18.6
2nd qtr.:	322.9	38.1	284.8	264.3	33.4	132.7	98.2	20.5

<sup>1/</sup> Includes such items as fines, penalties and donations.

<sup>2/</sup> Second quarter 1956 estimates by Council of Economic Advisers.

Department of Commerce.

in the advance, particularly the latter. Dollar volume of sales for the food group was up 3 percent in May (more than offsetting a decline in April). Apparel and general merchandise sales were also up substantially, but furniture and appliances dipped nearly 4 percent from April. Purchases of new automobiles definitely turned up. Dealer sales sank to a low point for the year of about 517,000 units in April, rose to 531,000 in May and the preliminary figure for June is 535,000. However, sales were still more than a fourth below a year earlier.

#### Installment Credit Rises Less than Seasonally

New installment credit extended to consumers in May totaled 3 billion dollars, down 0.2 billion from April after seasonal adjustment. The May rise reflected primarily a seasonal increase in automobile credit. Extensions of credit exceeded repayments but the increase in the amount outstanding was less, after seasonal adjustment, than in any previous month this year. Total consumer credit outstanding is now equal to about 13 percent of personal income after taxes, up about 1 percent from a year earlier.



Along with increasing indebtedness, consumers have been adding to their liquid assets over the past year and these assets are widely distributed among consumers. The 1956 Survey of Consumer Finances, conducted by the University of Michigan in cooperation with the Federal Reserve Board, reported that early in 1956 about 72 percent of all "spending units" questioned reported holdings of liquid assets other than currency and 33 percent reported that these holdings exceeded 1,000 dollars.

### Investment Demand

Total private investment spending increased 1.6 billion dollars during April-June to an annual rate of 64.6 billion, according to preliminary second-quarter estimates by the Council of Economic Advisers. This brought gross private domestic investment to a level only slightly short of the record rate of October-December last year. The second quarter rise stemmed mainly from the upsurge in business spending for new plant and equipment. Private non-residential construction, which has been trending upward steadily since late 1953, increased by about 4 percent. Outlays for producer's durable equipment were also up sharply to a seasonally adjusted annual rate more than a fifth higher than in the second quarter of 1955.

These gains in investment in plant and equipment were offset in part by a further small decline in private residential construction. The drop, however, was only a fourth as large as occurred during January-March. Housing starts averaged at an annual rate of about 1.1 million units during the second quarter and seem to have stabilized at this level after declining for almost a year. Housing outlays in June, though up from May, were 12 percent below last June's very high level.

### Increase Predicted for Construction

The Department of Commerce and the Department of Labor have recently published new estimates of total construction for 1956. Construction outlays, now running at an annual rate of about 44 billion dollars, are expected to rise to  $44\frac{1}{2}$  billion dollars for the year as a whole. This would be 4 percent more than last year. Outlays for nonresidential construction are now expected to exceed 1955 by 15 percent. Substantial gains also are in prospect for utilities and for highways and other public construction. Outlays for private residential construction, according to these estimates, will be down about 7 percent from 1955 while new home starts may be down as much as 12 percent. In the first half of 1956, the annual rate of residential construction outlays averaged about 15.2 billion dollars, on a seasonally adjusted basis. Starts so far this year have averaged just over an annual rate of 1.1 million units.

The rate of business spending on plant and equipment is expected to rise further in July-September, from the advanced second-quarter rate, according to surveys of businessmen's investment intentions reported to the Commerce



Department and the SEC. Outlays are expected to reach an annual rate 6 per cent above the quarter just ended and almost a fourth above the year earlier rate. These plans, however, may be affected by higher costs and emerging shortages of some essential building materials. A scarcity of structural shapes, reportedly developing even before the steel shutdown, may cause delays in much nonresidential construction. The flow of new machinery and other equipment may also be diminished for lack of steel. A possible consequence is that third-quarter investment programs may be scaled down, especially if the shutdown in steel is protracted.

### Inventory Rise Continues

The growth in business inventories, which began at the end of 1954, continued during April-June, though at a rate slightly below that of January-March. Preliminary reports estimate the net addition to stocks at an annual rate of 4 billion dollars, compared with 4.1 billion during January-March and 4.9 billion in the March-June period last year. In part, this slowdown in the rate of accumulation reflects a turndown in automobile inventories; a net build-up in the first quarter gave way to substantial liquidation in the second.

Table 2.-Gross private domestic investment, 1954-1955  
and by quarters 1955 to date

Period	Total	Fixed investment					Changes
	gross	New construction					in bus-
	private	Residen-					ness
	domestic	Total	Total	tial	Other	ers	inven-
	invest-			nonfarm		durable	tories
	ment					equip-	total
	Bil.	Bil.	Bil.	Bil.	Bil.	Bil.	Bil.
	dol.	dol.	dol.	dol.	dol.	dol.	dol.
1954	48.0	50.3	27.9	13.5	14.4	22.4	-2.3
1955	60.6	56.4	32.7	16.6	16.1	23.7	4.2
1955:							
First quarter	54.7	52.8	31.5	16.1	15.3	21.3	1.9
Second quarter	60.2	55.3	32.9	16.9	16.0	22.4	4.9
Third quarter	62.3	58.5	33.5	17.2	16.4	25.0	3.7
Fourth quarter	65.1	58.9	33.0	16.2	16.8	25.9	6.1
1956: 1/							
First quarter	63.1	59.0	32.6	15.3	17.3	26.4	4.1
Second quarter	64.6	60.6	33.1	15.1	18.0	27.5	4.0

1/ Second quarter 1956 estimate by Council of Economic Advisers.

Department of Commerce.



During May, manufacturing and trade inventories grew by 0.7 billion dollars, the same amount as in April. Manufacturers' stocks of both durable and nondurable goods increased. Wholesale inventories edged upward slightly while retail stocks held about the same for the third successive month at a level slightly below the February peak.

The May increase brought the seasonally adjusted value of manufacturing and trade inventories at month-end to 85.2 billion dollars, or 7 billion higher than a year earlier. Since the end of May, some inventory reduction has occurred in certain lines. A sizable reduction was made in June in dealers' stocks of unsold automobiles. And in July, with interrupted steel output, inventories in users' hands have started to decline. In a few other lines--for example, electrical appliances--inventories of unsold merchandise are regarded as large, and some reduction in stocks may occur. In general, however, no widespread inventory liquidation appears to be in prospect. In relation to sales, inventories still are not excessive. The ratio of manufacturing and trade stocks to sales, though above the low level reached last summer, and rising, is still not high in comparison to other post-Korean years. In most industries, large inventories are associated with an increasing volume of sales. Moreover, there is a rising backlog of unfilled orders for a wide range of manufactured goods. As a result, inventory adjustments that may occur will probably be limited in scope rather than general, with declines in some industries likely to be offset by a continued build-up of stocks in others.

#### Government Demand

##### Interstate Highway Program Begins

The first funds for the new States-Federal interstate highway program have been authorized for the fiscal year beginning July 1. It appears that spending under the program will begin to have some effect on the economy in the remaining half of this year and may provide a significant boost to business activity in 1957. Federal-State expenditures under the program will amount to at least 33 billion dollars over a period of 16 years. An initial apportionment of 1.1 billion dollars has been authorized by the Federal Government for fiscal year 1957. The program will get under way immediately; an estimated 100 million dollars in contracts will be let by September 1 and 700 million by the end of this year. Some construction is expected to begin during this quarter.

In addition to the increase in employment in the construction industry, some expansion may be expected among industries supplying road building materials. The value of new road construction in calendar year 1956 is expected to be about 5.5 billion dollars; the highway program will probably raise this to \$8-9 billion by 1960.



## Industrial Output and Employment

The Federal Reserve Board's index of industrial production was relatively steady during the first half of 1956 at a level 5 percent above the average for the first half of last year. June output, however was only slightly above a year earlier. Slight declines in June were noted for both durable and nondurable manufactures. A 3 percent downturn in primary metals production mainly reflected a shutting down of furnaces during the last week of June in anticipation of the steel strike. Auto output was down less than seasonally.

Preliminary data for July indicate that the continued loss of steel production and the resultant sharp curtailment in coal and iron ore mining will probably drop the index of industrial production another 5 or 6 points. Industrial output dropped in early July as more than 90 percent of the nation's steel capacity was shut down pending agreement on a new labor contract. Effects were felt immediately in other sectors of the economy. Railroads that customarily carry coal and ore and move finished steel products are reported to have made heavy layoffs. In the soft coal industry, nearly all the steel industry's so-called "captive" mines were shut down by July 10, idling between 30,000 and 40,000 miners. Commercial mines, on the other hand, have been less affected.

Auto Sales Pick Up in May  
and June, Exceed Output

Developments in May and June suggest that the automobile industry may be on the way to solving the imbalance between production and sales, with which it has been plagued since the start of this year. Except for a short-lived recovery in March, output of 1956 model automobiles has followed a steady downward course for the past six months. Nevertheless, during most of this period the number of new cars sold fell short of the number assembled. On April 30 there were still more than 900,000 unsold cars in dealers' lots.

Table 3.- Production and sales of passenger automobiles, January-June 1956

	:	:	:	:	:	:	:	:
	Jan.	Feb.	Mar.	Apr.	May	June	6-month	
	:	:	:	:	:	:	total	
	:	:	:	:	:	:	:	
Production (thousands)	570	537	555	530	459	415	3,066	
Dealer Sales (thousands)	485	513	573	517	531	535	3,154	

Ward's Automotive Reports and Automobile Manufacturers Association.



With the pick up in new car sales in May some reduction in inventories occurred. Sales continued relatively strong in June, and with output pared another 9 percent, further headway was made in working off the backlog. On June 30, dealers held an estimated 700,000 autos, about the same number as a year earlier. On the strength of these favorable developments, preliminary production schedules for July are allowing for some increase in assemblies. If sales and output should hold near their current rates for the remainder of the model year, it is anticipated that stocks of 1956-model cars would be reduced to satisfactory levels before the new models are introduced this fall.

Manufacturers' Sales and New  
Orders Strong in May

Factory sales in May rose 0.5 billion dollars on a seasonally adjusted basis to a record 27.7 billion. This was 6 percent more than in May 1955. Sales of both durable and nondurable goods gained. Manufacturers' shipments of new automobiles declined in May, but sales in other metal fabricating industries were up. Increases in sales were also widespread among the major soft-goods lines.

New orders showed a sharp increase in May for the second successive month, to a seasonally adjusted total for the month of 28.7 billion dollars, or 4 percent above a year earlier. Gains in the flow of new business were widespread, with the largest pickup reported in primary metals and machinery. Unfilled orders were unchanged in both durable and nondurable goods groups.

June Employment  
At All-time Peak

Civilian employment in June was up 1-1/4 million from a month earlier to a record 66.5 million. The number of jobholders exceeded the June 1955 total by about 2-1/2 million, and was more than 1 million above the previous record of last August, when 65.5 million persons were at work. Gains in June were virtually all in nonmanufacturing industries; significant increases occurred in construction, transportation, and public utilities and services.

At the same time, unemployment increased by 319,000 to a total of 2.9 million in June. This was more than the usual seasonal increase, and raised to 4.2 percent the proportion of the civilian labor force without jobs.

The rise in both employed and unemployed was accounted for mainly by younger workers who either are seeking summer employment or postgraduation jobs.

Coupled with the increased number of workers was an increase in the average weekly hours of production workers in manufacturing to a little more than 40 hours--the first such increase this year. Average hourly earnings continued their upward trend. The combined effect was to increase average weekly earnings of factory workers \$1.00 to \$79.40, thereby more than offsetting the drop registered in May.

Farm Employment Rises  
Less Than Seasonally

Farm employment as reported by the Agricultural Marketing Service, increased from 8.7 million in late May to almost 9 million in late June. Since this was less than the usual June increase, the seasonally adjusted index of farm employment dropped one point to 59 percent of the 1910-14 average. A year earlier the index was 61. Family labor declined contra-seasonally in June from 6.7 to 6.5 million, while hired labor showed a less-than-seasonal rise from 2.0 to 2.4 million.

Table 4.- Employment and labor force, for specified years 1939 to 1955 and by months from June 1955 to date

Period	Civilian labor force	Total employment	Unemployment	
			Number	Percent of civilian labor force
	Thousands	Thousands	Thousands	Percent
1939	55,230	45,750	9,480	17.2
1949	62,105	58,710	3,395	5.5
1950	63,099	59,957	3,142	5.0
1952	62,966	61,293	1,673	2.7
1953	63,815	62,213	1,602	2.5
1954	64,468	61,238	3,230	5.0
1955	65,847	63,193	2,654	4.0
1955: June	66,696	64,016	2,679	4.0
July	67,465	64,994	2,471	3.7
August	67,726	65,488	2,237	3.3
September	66,882	64,733	2,149	3.2
October	67,292	65,161	2,131	3.2
November	67,206	64,807	2,398	3.6
December	66,592	64,165	2,427	3.6
1956: January	65,775	62,891	2,885	4.4
February	65,490	62,576	2,914	4.4
March	65,913	63,078	2,834	4.3
April	66,555	63,990	2,564	3.9
May	67,846	65,238	2,608	3.8
June	69,430	66,503	2,927	4.2



## Commodity Prices

Retail Prices  
at All-Time High

The Consumer price index rose 0.4 percent from April to May to 115.4 (1947-49=100). The index is now up to the previous high set in October 1953. A rise of 1.3 percent in food prices accounted for most of the increase, but all other groups of commodities either advanced or held at their April levels. The increase in food prices was the sharpest since June 1953. However, the food index was still fractionally lower than May a year ago and 5 percent below the peak of August 1952. The advance during May was attributable primarily to higher prices for fresh fruits and vegetables.

Table 5.- Wholesale Price Index - May 1956 and June 1956  
and percent change from selected dates

(1947-49=100)					
Group	Index		Percent change from-		
	June 1956 1/	May 1956	May 1956	Apr. 1956	June 1955
All commodities .....	114.2	114.4	-0.2	+0.5	+3.5
Farm products .....	91.2	90.9	+ .3	+3.6	- .7
Processed foods .....	102.3	102.4	- .1	+1.9	-1.5
All commodities other than farm and foods :	121.5	121.7	- .2	- .1	+5.1
Textile products and apparel .....	94.9	94.9	0	- .2	- .3
Hides, skins, and leather products .....	100.2	100.0	+ .2	- .4	+7.9
Fuel, power, and lighting materials .....	110.8	110.8	0	+ .2	+3.7
Chemicals and allied products .....	107.1	106.9	+ .2	+ .2	+ .3
Rubber and rubber products .....	142.8	143.5	- .5	-1.5	+1.8
Lumber and wood products .....	127.4	128.0	- .5	- .9	+3.0
Pulp, paper, and allied products .....	127.4	127.3	+ .1	0	+7.7
Metals and metal products .....	145.8	146.8	- .7	-1.3	+10.0
Machinery and motive products .....	136.6	136.5	+ .1	+ .7	+7.5
Furniture and other household durables ..	118.1	118.0	+ .1	+ .1	+2.5
Nonmetallic minerals-structural .....	128.9	128.6	+ .2	+ .2	+4.2
Tobacco manufactures and bottled	:	:	:	:	:
beverages .....	121.6	121.6	0	- .1	0
Miscellaneous .....	92.9	96.1	-3.3	+ .9	+4.3

1/ Preliminary.

Bureau of Labor Statistics.

The index of wholesale prices declined fractionally from May to June. increases in farm product prices were offset by declines in commodities other than farm and food. Processed food also declined slightly.



Farm Prices  
Continue Upward

The index of prices received by farmers rose 2 percent from mid-May to mid-June to 247 (1910-14=100). The index is now  $2\frac{1}{2}$  percent above June a year ago. Prices received by farmers have risen each month so far this year and in June were 11 percent higher than the low level of last December. Steadily rising crop prices have been responsible for most of the advance. The index of prices received for all crops jumped 4 percent from May to June to a level 16 percent above last December and 8 percent higher than June last year. The advance in prices received for livestock and livestock products has been less marked. The index dipped fractionally from May to June but was 6 percent above the low in December and 3 percent below June 1955.

Prices of farm commodities on major central markets displayed mixed trends from mid-June to mid-July with feed grains and potatoes advancing while soybeans continued their decline. Prices of slaughter cows at Chicago slipped 12 percent and hogs 3 percent, over the month, but steers averaged about 2 percent higher. North Georgia broilers were up about 7 percent and Midwestern eggs, 5 percent.

Prices Paid Unchanged;  
Parity Ratio Up

The index of prices paid by farmers for commodities, interest, taxes and wage rates (the parity index) was unchanged from May to June at 286 (1910-14=100). This was 3 percent above last December and about 1 percent above last June. Most of the upward movement in the prices paid in recent months has been due to the firming in prices of production items of agricultural origin--chiefly feed and feeder and replacement livestock. The index of prices paid for family living items was carried to an all-time high in June by further advances in food prices. The parity ratio (the prices received index divided by the parity index) has risen steadily since the first of the year and is now equal to the year ago level and 7.5 percent higher than last December.

FOREIGN DEMAND

Five markets--Japan, the United Kingdom, Canada, the Netherlands and West Germany took nearly half of total United States agricultural exports in 1955. Japan was the principle market for grains, cotton, fats and oils, the U.K. for tobacco and Canada for fruits and vegetables. Because of reduced purchases of cotton, all of these countries except the United Kingdom imported less from the United States than in 1954. However, they retained their traditional position as the best foreign customers of U.S. agriculture. Donations and sales for foreign currencies represented only about 10 percent of exports to these countries compared with over 25 percent for all other countries. About 10 percent of exports to the U.K., and 16 percent to the Netherlands and Germany resulted from barter transactions.



The five markets next in importance--Yugoslavia, Belgium, Cuba, Italy and Spain--accounted for an additional 15 percent of total exports in 1955. Nearly all the exports to Yugoslavia, the bulk of those to Spain and about half of those to Italy were direct donations or were sold for foreign currencies. Exports to Belgium were not assisted by these programs, although barter sales accounted for nearly 1/4 of the exports to that country. Cuba, like Canada, did not participate in any U.S. Government export programs.

While these 10 countries accounted for nearly 2/3 of total agricultural exports, most of the 5 percent increase in export value over 1954 resulted from shipments to other countries. Out of the total increase of 149 million dollars, 67 million was to countries accounting for only about 10 percent of total exports. A large part of this increase represented CCC stocks donated for emergency relief or through private voluntary agencies and the United Nations Children's Emergency Fund (UNICEF.)

The 10 major export markets for U.S. agriculture experienced rising levels of economic activity in 1955, with industrial production, farm output and exports all substantially above 1954. Furthermore, Japanese, Belgian and Italian exports increased proportionally more than imports. The reverse was true in the case of the Netherlands and Western Germany; this was largely due to trade liberalization and was thus a sign of strength, not weakness. Most of these countries, with the exception of the United Kingdom and Canada also increased their holdings of gold and dollar assets in 1955.

Most of the increase in foreign assets results from transactions with the United States, although a large proportion of newly mined gold (about 600 million dollars per year) is currently moving into the official reserves of foreign countries. Foreign receipts from the United States have exceeded expenditures steadily since 1949 although during the past 3 years the resulting build-up in foreign assets was at a declining rate. Thus far in 1956, however, the growth in foreign gold and dollar holdings has been above the previous year.

During the first quarter of 1956, both U.S. exports and imports approached record levels. While the U.S. trade surplus on nonmilitary goods and services rose on an annual rate, this was more than offset by an increase in total payments to foreign countries, due largely to record U.S. investments abroad. Net foreign accumulation of gold and dollar assets as a result of all transactions with the United States totaled 557 million dollars during the first quarter of 1956; at an annual rate this would represent nearly 2 billion dollars compared with a net build up of about 1.5 billion during 1955. (See table 6).

German and Japanese reserves continued a previous upward movement, while the 1955 decline in the reserves of the United Kingdom and Canada was reversed. Furthermore during early 1956 the level of industrial production in the 10 major markets for U.S. agriculture continued above a year ago, despite bad weather in Western Europe.



Table 6.- United States balance of payments (excluding military grants)  
first quarters 1955 and 1956, calendar year 1955,  
estimated calendar year 1956

	January-March		Calendar year	
	1955	1956	1955	1956
			(est) 1/	
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
U. S. exports of goods and services	4,743	5,327	19,915	21,768
U. S. imports of goods and services	4,145	4,827	17,923	19,540
Net foreign outlays on goods and services	598	500	1,992	2,228
Remittances and pensions	146	140	597	564
Government grants	593	400	1,865	1,808
Other capital movements	125	541	1,455	2,424
Net foreign receipts from the U. S. on capital account	864	1,081	3,917	4,796
Net foreign increase in gold and dollars (after allowance for errors and omissions)	186	557	1,474	1,960

1/ Based on seasonally adjusted January-March rates.

The value of agricultural exports for the year ending June 30, 1956 is estimated at about 10 percent above the previous year. For calendar 1956 a substantially greater increase is expected. This is based on a resurgence of cotton exports (by July 13 CCC sales for export after August 1 totaled 2.9 million bales) and continued high exports of most other commodities.

In addition to the improved ability of major foreign countries to pay for U. S. commodities, United States Government export programs including CCC sales at competitive prices insure that neither lack of financing nor high prices will be a deterrent to exports. It is estimated that during the year 700 million dollars worth of commodities already sold for foreign currencies will be moving into export markets. An additional quarter million dollars for such sales is included in the Mutual Security appropriations now before Congress. A bill doubling the present authority for such sales under PL 480 has passed both houses of Congress. Donation of commodities for emergency relief and through private welfare agencies and UNICEF can also be stepped up as the Agricultural Act of 1956 provides an additional 200 million dollars for Title II shipments as well as authority for payment of ocean transport on donated commodities.



Table 7.- United States Agricultural Exports, by Destination, 1955  
(Value in Million dollars)

JULY 1956

- 17 -

Area	Total	Grains and prepa- rations	Cotton and linters	Fats, oils, and oilseeds	Tobacco unmanu- factured	Fruits nuts and vege- tables	Other
Japan	386	143	121	78	14	1	29
United Kingdom	377	112	43	41	130	19	32
Canada	282	19	37	36	1	135	54
Netherlands	243	103	10	75	13	12	30
West Germany	242	62	38	57	38	9	38
Total above	1,530	439	249	287	196	176	183
Change from 1954	-62	79	-180	-20	35	-3	27
Yugoslavia	109	77	13	5	---	---	14
Belgium	109	58	5	16	9	10	11
Cuba	108	35	1	26	1/	23	23
Italy	94	9	25	16	3	2	39
Spain	93	4	46	24	4	1/	15
Total 10 above countries	2,043	622	339	374	212	211	285
Change from 1954	9	98	-197	-2	40	-6	76
All other countries	1,152	318	138	147	148	82	319
Change from 1954	140	93	-114	29	17	8	110
Total all countries	3,195	940	477	521	360	293	604
Change from 1954	149	191	-311	27	57	2	186
1/ Under \$100,000.							

Foreign Agricultural Service, U. S. Department of Agriculture.  
Office of Business Economics, U. S. Department of Commerce.

## FARM INCOME

Farmers' realized net income in the first half of 1956 was at an annual rate of approximately 11.6 billion dollars. This was nearly the same as in the first half of 1955 and a half billion dollars higher than the rate during the second half of 1955.

Cash receipts from farm marketings in the first half of 1956 were almost the same as in the first half of 1955, as somewhat lower average prices of farm products were about offset by an increase in the volume of sales. Production expenses as well as gross income showed little change from the first half of 1955 to the first half of 1956. Prices paid for the farm-supplied items of feed, seed, and feeder livestock all averaged considerably lower than in 1955. But this was largely offset by increases in property taxes, wage rates, and interest payments, as well as higher prices for some manufactured items.

Farmers received about 7.7 billion dollars from livestock and products in the first half of 1956, and some 4.5 billion from crops. The total for livestock and products was down a little from last year, as lower average prices more than offset an increase in volume. The crop total, however, was up slightly from a year earlier, with increases for corn, cotton, vegetables, and fruits. In the livestock group, a 10-percent increase in dairy receipts was more than offset by smaller cash receipts from meat animals, due to lower prices for hogs and cattle.

Total cash receipts from farm marketings in June are tentatively estimated at 2.0 billion dollars, up slightly from June 1955. Average prices of farm products in June were above a year earlier for the first time in nearly 4 years. June crop receipts are estimated at 0.7 billion dollars, and receipts from livestock and products at 1.3 billion.

## LIVESTOCK AND MEAT

Hog production is declining while cattle production continues at record levels. Slaughter of hogs late this summer and fall will probably be below the same period last year; slaughter of sheep and lambs may be down a little, while cattle slaughter may at least equal last year. Total meat output during the last half of the year will drop under year-earlier levels, but, for the year, will set a new high.

The 1956 spring pig crop was 8 percent smaller than the 1955 spring crop. Also, producers planned on June 1 for 7 percent fewer sows to farrow this fall than last. If these plans are realized, the 1956 pig crop would total 88 million head, compared with 95½ million last year and the recent low of 78 million in 1953.

Early spring farrowings were increased over last year, but late spring farrowings were reduced sharply, especially in the Western Corn Belt. That region plans relatively large cuts for fall pigs also.



Hog slaughter was still above last year's rate in mid-July. Later in the summer it will probably drop below that of a year earlier, and during the final months of the year should be significantly smaller than late in 1955.

Further seasonal price advances for hogs this summer will likely be limited by volume marketing of early spring pigs. The seasonal decline this fall will be less than the sharp reduction of last fall. Hog prices will likely be above 1955 prices during most of this period with the widest margin over a year earlier expected at the year's end.

Cattle slaughter in the first half of 1956 averaged about 4 percent above the corresponding period of 1955. It included more steers, slightly more heifers and fewer cows. Total slaughter in the second half is expected to equal or exceed the last half of 1955, but the quantity of beef is less likely to increase since carcass weights will be considerably lighter. Second half slaughter will include more cattle off grass and fewer from feed lots. This points to probable seasonal increases in prices for fed cattle, which may climb above a year earlier. Prices for grass cattle will decline seasonally. They are currently below last year and may stay below for a time. Reluctance of feeders to fill feedlots because of unsatisfactory profits last winter has been a price depressing factor. Feeder cattle prices this fall will depend not only on feeders' confidence, but also on range and crop conditions.

Seasonal declines in prices of lambs are in prospect for the summer and fall as marketings off grass expand. Barring unusual drought, marketings the rest of the year will likely average close to or slightly below a year earlier.

Total production of meat this year will probably be large enough to provide about 162 pounds for consumption per person, a pound more than last year. Consumption of beef is likely to rise about 2 pounds to around 83 pounds, the fourth new high in a row. Consumption of pork may decrease about 1 pound to 65 pounds.

#### DAIRY PRODUCTS

Prices to farmers for milk and butterfat will continue above 1955 through the remainder of 1956, but probably by less than the increase over a year earlier of recent months. With the volume of sales considerably higher, cash receipts from dairy products promise to be around the 1952 record of 4.6 billion dollars compared with 4.2 billion in 1955.

Prices received by farmers for milk and butterfat in June continued above a year earlier and were down less than the usual seasonal amount from early this year. The price of milk at wholesale in June, \$3.86 per 100 pounds, was 6 percent above the \$3.63 of June 1955. The main reasons for the increase are the advance in the support level for manufacturing milk for this marketing year and the suspension of seasonal reductions in fluid milk prices in a



number of Federal order markets. In recent weeks, price increases for Class I milk have spread to a number of non-Federal order areas. The butter-fat price also is running above a year earlier.

Dairy-feed price ratios and other price relationships for dairying are generally above average though some are less favorable than in recent months. Favorable price relationships will tend to encourage continued increases in milk production. Output of milk in January-June 1956 totaled 67.4 billion pounds, 2.4 billion, or 4 percent over a year earlier. Barring widespread and severe drought, the milk flow probably will continue near a year earlier for the next few months but may again show sizable increases toward the year's end. For 1956 as a whole, output will total around 127 billion pounds compared with 123.5 billion in 1955, the previous record.

Sales of dairy products to CCC in April-June, the first quarter of this marketing year, were about as large as those of a year earlier. In January-March, the last quarter of the 1955-56 year, sales to CCC were considerably above the same months of 1954-55. As of July 1 Government stocks of butter were negligible but 146 million pounds of nonfat dry milk were on hand and 201 million pounds of cheese.

#### POULTRY AND EGGS

Production of broilers and of turkeys in 1956 will be record large, exceeding 1955 by perhaps 20 and 15 percent. Egg production also is likely to set a new record, rising perhaps 2 percent or more above the 1955 high. Egg production to July 1 was less than 1 percent ahead of last year, but production in the rest of the year will reflect the year-to-year upward trend in fall rate of lay and the increased number of pullets following the larger replacement hatch this spring.

Egg prices have declined seasonally since the beginning of 1956, and except for a short period after mid-June, remained above a year earlier. In 1955, prices had definitely begun to turn seasonally upward by mid-June. The prospect is for 1956 egg prices to rise seasonally but the peak may be earlier and lower than the U. S. average of 47.1 cents per dozen received by farmers in December, 1955.

Broiler prices received by farmers since the beginning of 1956 have fluctuated within the narrow range of 19-22 cents per pound live, generally about 6 cents lower than a year earlier. The reduction reflects larger supplies. Marketings through September at least will continue about a fifth above last year. Even though feed prices on the DelMarVa Peninsula have risen as much as \$10 per ton since the beginning of 1956, broiler chick placements continue seasonally large. One reason for this is the way in which production is financed; this has shifted much of the cash risk from farmers to others. The mid-June broiler price was 19.9 cents, compared with 21.1 cents a month earlier and 27.2 cents a year earlier.



Marketings of live heavy-breed turkeys are seasonally small. Farmers' prices are greatly influenced by the small stocks and high prices of frozen heavy turkeys. At 37 million pounds on July 1, U. S. stocks were the smallest for the date since 1949. Frozen heavy toms in New York and Chicago wholesaled at over 60 cents per pound. This situation will continue until the 1956 crop begins to yield larger supplies of heavy turkeys. Hens and light-weight turkeys, including those of heavy breeds slaughtered at immature weights, have recently been priced lower per pound at wholesale than heavy turkeys.

The turkey crop now growing includes fewer light-breed turkeys than last year, but more heavy-breed birds. The total crop will be a record, probably about 10 to 12 million more birds than the 65.6 million raised in 1955. At 29.8 cents per pound in mid-June, U. S. average turkey prices (live) to farmers were very close to the 29.4 cents of a year earlier.

#### OILSEEDS, FATS AND OILS

Supplies of food fats other than butter in the marketing year beginning on October 1, 1956 probably will be almost as large as this year's record quantity on the basis of July 1 indications. Production probably will be about as high, with reduced output of lard and cottonseed oil offset by record production of soybean oil. Beginning stocks of edible oils will be smaller.

With per capita consumption of food fats likely to continue relatively stable, the quantity available for export in 1956-57 would be down around 15 percent from this year's huge quantity of 2.7 billion pounds but still above any other year. Present prospects suggest that sales for dollars in 1956-57 plus the carryover of some unfilled P.L. 480 programs will be at least equal to a large percentage of the quantity of all food fats expected to be available for export. However, the actual balance between exportable supplies and export demand will depend on crop yields in the U. S. as well as developments in the rest of the world.

Supplies of butter in 1956-57 will be moderately less than the year before because of a large decline in beginning stocks. There is not likely to be much change in production.

Output of tallow and greases in 1956-57 is likely to decline mainly because of reduced hog slaughter. The 1956 pig crop, which will provide most of the hogs for slaughter in 1956-57, is expected to be about 8 percent below a year ago.

Flaxseed prices have dropped to the 1956 crop support level. Production is well in excess of domestic use and exportable supplies from other countries are expected to be much larger than the small quantities available in 1955-56. However, a considerable part of the excess will be exported this summer as supplies from the exporting countries will be fairly tight until the anticipated record Canadian crop starts to market around September.



## FEED

Another big supply of feed grains and other concentrates, totaling about 195 million tons, is in prospect for 1956-57. This would be within 1 percent of the record supply last year and 13 percent above the 1949-53 average. Production of feed grains, indicated in July at 124 million tons, is 7 million tons below last year's big crop, but the carryover is expected to be about 5 million tons larger than the record of 39 million tons last year. A reduction in livestock numbers is in prospect, principally in hogs, and the feed concentrate supply per animal unit is expected to be slightly larger than in 1955-56. A supply of this size would be sufficient to meet the prospective livestock requirements, and leave another big carryover into 1957-58.

The corn supply, based on July indications, will total over 4.4 billion bushels, 4 percent larger than the record supply last year. The crop was estimated in July at 3,267 million bushels, slightly larger than last year, and a record carryover of close to 1.2 billion bushels is in prospect. The supply of oats, on the other hand, is expected to be substantially smaller than last year and the barley supply moderately smaller.

Cash prices of feed grains and most of the byproduct feeds have been comparatively stable during the past 2 or 3 months after rising since last summer and fall. Increases from November to June were most pronounced for corn, which went up about 30 percent and soybean meal which rose a little over 20 percent. The general rise in feed prices during the winter and spring of the current feeding year is in contrast with generally declining prices in the same period of the 1954-55 season. While feed prices have been generally below those of a year earlier during most of the current feeding season, in June the average price received by farmers for feed grains was within 1 percent of the level of a year earlier and the index of wholesale prices of high-protein feeds was 3 percent higher. Since July 1 market prices of feed grains have strengthened while the price of soybean meal and some of the other high protein feeds have declined. The higher supports for oats and barley and the smaller 1956 crops in prospect, especially for oats, are factors strengthening prices of these grains. The average price received by farmers for oats in June was 63 cents per bushel or 2 cents below the 1956 support, while the average price of barley was 93 cents per bushel or 9 cents below the 1956 support.

## WHEAT

The total wheat crop was estimated as of July 1 at 922 million bushels, about 25 million less than domestic disappearance and exports in 1955-56. This indicates the likelihood that the carryover on July 1, 1957 will be down slightly from this year. This would be the first reduction since stocks began to accumulate in 1951-52.



Cash prices in winter wheat markets declined seasonally from mid-May until early July, since which time prices have advanced. On July 18 the price of No. 2 Hard Red Winter wheat at Kansas City at \$2.11 and that of No. 2 Soft Red Winter at St. Louis at \$2.10 were 19 cents and 20 cents, respectively, below the announced loan rate. A year earlier the two markets were 26 cents and 37 cents, respectively, below the loan. The relative improvement in soft red winter wheat prices reflects the relatively small carryover and reduced production of soft red winter wheat this year. Cash prices of spring wheat reach their low point later than those of winter wheat because of the later harvest. On July 12 the price of No. 1 Dark Northern Spring Wheat, ordinary protein, at Minneapolis was \$2.39, about 5 cents above the announced loan.

With the 1956 crop estimated at less than likely disappearance, prices for the marketing year as a whole may average slightly higher relative to the loan rate, which has been announced at \$2.00, than in 1955-56. The price received by farmers, including unredeemed wheat at the loan rate, in the year just ended averaged \$1.98 compared with average announced loan of \$2.08.

It has been announced that wheat price supports at an average of \$2.00 a bushel for 1957 production will be available to those who comply with farm allotments in all commercial Wheat States, if marketing quotas are approved in the July 20 referendum. This is the same rate as for the 1956-crop wheat.

On July 6, the national average unit rate for determining payments under the wheat Acreage Reserve of the Soil Bank in 1957 was announced as approximately \$1.20 a bushel, also the same as for the 1956 crop. The basis of payments which individual farmers can earn by underplanting their allotments will be determined by multiplying the normal yield of the farm, by applicable base unit rate, which is 60 percent of the preliminary county loan rate.

The law prescribes maximum limitations on the amount that can be expanded under the acreage reserve program for any year, both on an overall basis and with respect to individual crops. These maximum limitations which will govern the acreage of wheat--both winter and spring--that can be accepted under the program for 1957 will be established on a State and individual county basis.

Changes in wheat export programs, announced on July 13 to become effective on September 4, 1956, will assure that wheat sales for export will be drawn primarily from free market supplies rather than from stocks of CCC. For the marketing year which closed June 30, the great bulk of all wheat exports were from CCC stocks.

All wheat export programs will be continued, with emphasis on handling through normal trade channels. Special government aids will also be continued, but direct export assistance will be extended in the form of wheat from CCC stocks rather than in cash payments. CCC stocks of wheat will also be used in carrying out barter contracts and providing supplies for domestic and foreign donation programs.



Beginning September 4, CCC will discontinue sales at special prices for export under the IWA, and the Special CCC Program for export outside of the IWA. CCC stocks of wheat will continue to be available under barter contracts and in payment of export subsidies at a price based on the world market.

Under the new plan exporters will purchase wheat supplies for export under the various programs primarily through normal commercial channels in the free market. While in the form of CCC wheat instead of cash, the extent of direct assistance will be the same.

The increased demand on free supplies to meet export needs will strengthen the market and result in less acquisition of price-support stocks by CCC. As the free market strengthens, more loans will be redeemed by farmers. No net increase in CCC inventory holdings of wheat is expected. As pointed out, CCC wheat will still move through barter and donation programs, and it will move out in payment of the export assistance.

#### FRUIT

Total supplies of deciduous fruits during August probably will be about the same as a year earlier, but in September when late-season fruits ripen supplies are expected to be somewhat lighter. Supplies of California lemons and Valencia oranges are moderately smaller than last summer. Demand for fruit is expected to continue strong.

If the 1956 deciduous crops turn out as indicated on July 1, total production will be about 5 percent smaller than in 1955. Prospective production of peaches, dried prunes, and strawberries is much larger than in 1955, that of fresh plums is moderately larger, and that of pears is a little larger. However, the crop of grapes is moderately smaller, and those of commercial apples, apricots, and cherries are considerably smaller. Production of almonds is expected to be much larger than in 1955, that of walnuts slightly larger, and that of filberts much smaller.

Packers' stocks of 9 items of canned deciduous fruits (apples, applesauce, apricots, sour cherries, sweet cherries, fruit cocktail and mixed fruits, peaches, pears, and plums and prunes) on June 1, 1956, the start of the new season for canning, totaled about 28 percent larger than a year earlier. Stocks of only apples and applesauce were smaller. On June 30 stocks of canned citrus sections and salad held by Florida packers were about 18 percent under a year earlier.

Weekly output of frozen orange concentrate in Florida during May and June has run heavier than in the same period of 1955, and the season total by July 7 was a little over 70 million gallons, 8 percent larger than in 1954-55 and a new record. During the current season, retail prices of frozen orange concentrate have been somewhat higher than a year earlier and movement to household consumers has been a little lighter. Stocks held by Florida packers on June 30 were about 8 percent larger than a year previously. In Florida,



the 1955-56 pack of canned citrus juices was 3 percent larger than in 1954-55. Stocks on June 30, 1956 were down 10 percent. But stocks of frozen concentrate for lemonade held by California packers on June 23, 1956 were up 14 percent.

The packing of frozen strawberries was seasonally heavy during May and June, with the result that cold storage stocks increased sharply to about 219 million pounds by July 1, more than twice those of a year earlier. Total cold-storage stocks of frozen deciduous fruits and berries (excluding citrus juices) on July 1 were about 48 percent larger than a year previously.

### COMMERCIAL VEGETABLES

#### For Fresh Market

Total production of vegetables for summer harvest, excluding melons, is expected to be 4 percent larger this year than last, and 5 percent larger than 1949-54 average. Among the more important crops substantial increases in tonnage over a year earlier are in prospect for celery, cucumbers, lettuce, tomatoes and spinach and moderate increases are expected for cabbage and cauliflower. Materially smaller tonnages are indicated for green peas for fresh market and moderately smaller tonnages of snap beans, carrots, sweet corn, green peppers, lima beans, beets and eggplant.

Production of cantaloups for early and mid-summer harvest is expected to be about 16 percent smaller than a year ago and 18 percent smaller than the 1949-54 average. Prospective production of watermelons for summer harvest is down 9 percent from that of a year ago but 13 percent above the 1949-54 average. The early summer crop of watermelons, which furnishes almost 90 percent of total summer tonnage, is down about 9 percent, while the late summer production promises to be slightly larger than a year earlier.

#### For Processing

Carryover stocks of both canned and frozen vegetables, excluding frozen potatoes, at the beginning of the 1956 pack year were substantially smaller than those of a year earlier. However, prospects point to a larger pack this year than last. Reports in early July indicate that aggregate acreage of 10 vegetables for commercial processing is 9 percent larger than in 1955. However, unfavorable weather east of the Rocky Mountains delayed planting and early development of a number of crops. Of the processing crops for which production estimates are currently available, tonnage of winter and spring spinach, which usually makes up about three-fourths of the annual total, was 12 percent larger than a year earlier; tonnage of snap beans for processing is expected to be slightly larger than last year, while indicated tonnage of green peas is 14 percent larger.



Indications are that the prospective larger pack in 1956 will more than offset the smaller carryover stocks. Aggregate supplies of processed vegetables in the 1956-57 marketing season are expected to be moderately larger than those of a year earlier.

#### POTATOES AND SWEETPOTATOES

Potato production in 1956 excluding the crop for fall harvest is currently indicated at 77.2 million hundredweight, 2 percent less than last year and 1 percent more than the 1949-54 average. About 1 percent more potatoes than last season are in prospect for summer harvest. The first forecast of fall production will be released August 10. Acreage of fall crop potatoes was estimated on July 1 to be about the same as last year's.

First production estimates of the Crop Reporting Board places the probable output of 1956 crop sweet potatoes at 15.7 hundredweight. This is about 25 percent less than was produced in 1955 and 22 percent less than the 1949-54 average. The sharp decline in prospective production resulted from a 16 percent cut in acreage and a 10 percent reduction in estimated yield.

Demand for 1956 crop sweet potatoes is expected to be about the same as in the previous year. If the substantially smaller production materializes prices received by growers for sweet potatoes in the 1956-57 marketing season are expected to average much higher than the low prices received for the 1955 crop.

#### DRY BEANS AND PEAS

Production of dry edible beans in 1956 is estimated at 16.1 million 100-pound bags (cleaned basis). This is 5 percent below that of 1955 and about the same as the 1949-54 average. Carryover stocks will also be smaller than in 1955. While total prospective supplies of dry beans are about 12 percent smaller than last year, they appear to be adequate to meet domestic and usual export requirements.

Prospective production of dry peas at 4.8 million 100-pound bags (cleaned basis) appears to be considerably in excess of domestic and usual export requirements. Although more peas than usual will be needed for restocking purposes, the large supplies available in this 1956-57 marketing season are expected to result in prices to growers averaging much lower than those of a year earlier and well below the average of the past four seasons.

#### COTTON

Consumption of cotton by domestic mills from August 1, 1955 through May 26 totaled about 7,786,000 bales. This compares with about 7,426,000 during approximately the same period a year earlier. The average consumption per working day during May 1956 was about 35,700 bales, approximately 500 more than during May 1955.



Exports from the U. S. from August 1, 1955 through May 1956 were about 1,842,000 running bales. This compares with approximately 3,107,000 bales in the same period a year earlier. Exports during May of about 344,000 bales were about 113,000 bales larger than a year earlier, approximately 18,000 bales smaller than April, 1956.

A preliminary estimate of the cotton exports financed by the U. S. Government in 1955-56 is 1.8 million bales compared with about 1.5 million in 1954-55. Commitments through July 17 for use in the 1956-57 season amount to about 1.5 million bales. It appears likely that additional commitments will be made for use in the 1956-57 marketing year.

Acreage in cultivation to cotton on July 1, 1956, was 16,962,000 acres. This compares with 17,506,000 acres a year earlier and is the smallest acreage in cultivation since records began in 1909. It is smaller than harvested acreage in any year since 1884.

The Agricultural Act of 1956 includes several provisions affecting cotton, including the Soil Bank Act, Section 202, on import quotas and export sales of extra long staple cotton, Section 203 on the export sales of Upland cotton, and, Sections 302 and 303 on acreage allotments for cotton. On July 2 the President issued a proclamation changing the year to which the import quota for extra-long style cotton applies from one starting February 1 to one starting August 1.

The Soil Bank Act provides for an acreage reserve for cotton and other basic crops. For participating farms, the rate of payment per acre for cotton under the Soil Bank Act for 1956 was set at 15 cents per pound times the normal yield per acre for underplanted acreage. For acreage destroyed by natural causes or plowed under the payments will be based on an appraised yield or normal yield, which ever is lower but will not be less than 6 dollars per acre.

Total stocks of cotton in the United States on August 1, 1956, are estimated at about 14.7 million bales. Of this total, CCC probably will hold (owned and held as collateral against outstanding loans) more than 10 million bales. The carryover on August 1, 1955, was 11.2 million bales and CCC held stocks were 8.1 million bales. Stocks held by CCC on July 6 were about 10.4 million bales. The average price for cotton remained at about 35.5 cents per pound for middling 15/16 inch at the 14 spot markets from March through June. It began to decline in July and on July 18 the average was 34.48 cents per pound.

#### WOOL

Prices in foreign markets advanced almost continuously from late March through June. However, with the settlement of the shearers' strike prices at the Australian auctions declined a little early in July. As of the end of the first week of July, prices for most fine descriptions ranged up to



as much as 15 percent higher than in late March and were above a year earlier. In general, the advance abroad since late March has not been fully reflected in domestic markets. Quotations for most domestic descriptions early in July were less than 5 percent above those of late March and were below a year earlier.

It has been announced that the shorn wool payment to the individual producer under the 1955 incentive program will amount to 44.9 percent of the net proceeds from the sale of shorn wool. The payment rate on lambs (pulled wool compensatory payments) will be 77 cents per hundredweight of live animal sold for slaughter.

Stocks of wool in the United States at the end of the first quarter of this year are estimated to have been the same as a year earlier. Stocks of apparel wool were down about 8 percent while holdings of carpet wool were up 23 percent.

The entire monthly quota of  $6\frac{1}{4}$  million pounds was sold by CCC during the first 3 weeks of July. This brings total disposals to about 30 percent of the quantity on hand when the competitive bid program went into effect last November.

Imports of both dutiable and duty-free wool for consumption during the first 4 months of this year were above a year earlier. The increases were 12 percent for dutiable wool and 43 percent for duty-free wool. Imports of both were below a year earlier during April, however.

Mill use of both apparel and carpet wool this year has been above a year earlier each month through May. The January-May apparel wool total was 10 percent above a year earlier while that for carpet wool was up 21 percent.

#### TOBACCO

Georgia and Florida auction markets for the 1956 crop of flue-cured tobacco open on July 25. The season average for last year's Georgia-Florida crop was 47.0 cents per pound. This year's production is indicated to be 15 percent smaller than last year's and amounts to about  $12\frac{1}{2}$  percent of the total flue-cured crop. Auctions in the other Belts farther north will open later this summer with the last markets to open in North Carolina and Virginia--probably starting in September.

The July indication was for a total flue-cured crop of 1,194 million pounds--290 million less than last year's record crop. Carryover of flue-cured on July 1 is estimated at about 2,240 million pounds--9 percent larger than a year ago. The price support level for 1956 flue-cured is 48.9 cents per pound--a little higher than last season. Although domestic use of flue-cured in the year just ended was little different from a year earlier, exports jumped more than one-fourth and were the second largest on record. Exports are expected to continue at a relatively high level although not as large as in the recent year.



The major domestic outlet for flue-cured, burley, and Maryland is in cigarettes. The calendar 1956 output of cigarettes may total 425 billion-- a 3 percent increase over 1955 and second only to the 435-1/2 billion in 1952.

The 1956 crop of burley was indicated as of July 1 at 463 million pounds compared with the 470 million pounds last year. The total 1956-57 supply of burley seems likely to be about 3 percent below 1955-56 and 6 percent lower than the record 1954-55 level.

The 1956 crop of Maryland tobacco was indicated as of July 1 at 43.8 million pounds compared with last year's output of 35.5 million pounds. Through mid-July, marketings of the 1955 crop of Maryland tobacco totaled 23 million pounds. Auction prices averaged 52.7 cents per pound--26 percent above the comparable period of a year earlier. The great bulk of the storm-reduced 1955 Maryland crop has been marketed.

According to July 1 indications, the 1956 fire-cured and dark air-cured crops will be a little lower than last year's harvestings.

July 1 indications for the cigar tobacco were for considerably smaller production of the cigar binder types but for a little larger production of the cigar wrapper types than last year. The cigar filler production in Pennsylvania is indicated as 3 percent larger than last year's but in Ohio, the crop is indicated to be substantially smaller than last year's.

Cigar consumption this year is expected to be 2 or 3 percent above the 6.1 billion level of 1955.

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